



April 20, 2004

Jennifer J. Johnson  
Secretary  
Re: Docket #R-1181  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

by e-mail to: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

Robert E. Feldman  
Executive Secretary  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

by e-mail to: [comments@fdic.gov](mailto:comments@fdic.gov)

Re: Community Reinvestment Act regulations

As a community bank, Meramec Valley Bank welcomes the federal regulators' work in the area of regulatory burden. Most community banks work hard to protect the hard-won trust and confidence of their customers, but consumer protection rules can present a significant interference in our efforts to serve those very customers. This is especially true for consumer lending rules, which increase costs for consumers and detract from the level of service community banks could otherwise offer them. For example:

Flood Disaster Protection

- Assessing whether a specific property is actually in a flood hazard zone can be extremely difficult. It requires a variety of information, some of which is often either difficult for an individual community bank to access, and much of which is quickly outdated.
- Determining the appropriate amount of flood insurance coverage on a particular property can be involved. In addition, tracking such coverage and ensuring that the coverage remains in force is a time-consuming process.
- Most community banks are forced to out-source one or both of these areas. The cost of such services is sufficient that the banks have to pass that cost on to all customers, not merely those with property in a flood hazard zone.

Equal Credit Opportunity Act – Federal Reserve Regulation B

- Definitions in the regulation are often incomplete and imprecise, so that it is difficult to determine what requirements apply to a given situation. For example, when has a customer provided sufficient information to create an "application"?

- The preparation of adverse actions notice is another time-consuming. It is also frequently difficult to tell whether an application has been withdrawn, is incomplete, or the application been denied.
- Banks now must balance the requirements not to maintain information on race, ethnicity, or gender under this regulation, with the customer identification dictates of the USA PATRIOT Act.

Home Mortgage Disclosure Act (HMDA) – Federal Reserve Regulation C

- HMDA is one regulation that appears to provide no specific benefits for consumers. While we applaud the original aim of generating detail about where a bank's lending efforts are concentrated, geographically, we are concerned that some community activists are abusing the data.
- With the changes in HMDA for 2004, it has become clear that HMDA would lend itself to tiered regulation. We urge the regulators to raise the level of exemption from HMDA reporting from the present \$33 million in total assets to a more realistic level, such as \$250 million. For smaller banks, compliance with this regulation represents a huge administrative burden with a strong likelihood of inadvertent error.


Truth in Lending – Federal Reserve Regulation Z

- Reg Z, while well intentioned, weights reasonable errors and disputes in favor of the consumer, whether or not the bank is at fault.
- One of the most frequent customer services issues a community banker faces is to explain to a customer the need for a rescission period that neither the bank nor the customer wants. We need greater flexibility to allow consumers to waive that right when they choose.
- Providing all necessary information in advertising and knowing when certain disclosures have been triggered, represent an ongoing battle for community banks.
- It is also difficult to know exactly which charges should be included in the banks finance charge calculation, especially when the cost is charged by a third party.

In summary, we believe that increasing the asset size of banks eligible for less intensive compliance is an important first step in reducing regulatory burden. Since the survival of many community banks is closely intertwined with the success and viability of their communities, the increase will merely eliminate some of the more burdensome requirements. While community banks still must comply with the general requirements of these regulations, such a change will eliminate some of the most problematic elements of compliance from community banks that are drowning in red tape.

Very truly yours,

MERAMEC VALLEY BANK



Donna L. Bymes  
Assistant Vice President, Compliance Officer

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